

RECEIVED

MAR 30 2007

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF APPALACHIAN )  
WASTE CONTROL FOR AN ADJUSTMENT IN )  
RATES PURSUANT TO THE ALTERNATIVE )  
RATE FILING PROCEDURE FOR SMALL )  
UTILITIES AND REQUEST FOR INTERIM )  
RELIEF )

CASE NO. 2007-00093

MOTION FOR INTERIM RELIEF

Appalachian Waste Control ("AWC") is currently being managed by a Special Master Commissioner appointed by Order of the Franklin Circuit Court. AWC has filed an application with the Commission, pursuant to the Alternative Rate Filing Procedure for Small Utilities, for approval of an increase in the rates charged for the five wastewater treatment facilities operated by AWC.

AWC requests a deviation pursuant to 807 KAR 5:001, Section 14, from the requirement that an Annual Report for the past year as well as the two previous years be on file with this Commission. AWC also requests, pursuant to KRS 278.180(2), that the required 30 days' notice be reduced to 20 days.

AWC, through the Special Master Commissioner, requested a tentative interim hearing date before the Commission in anticipation of the filing of this application. An interim hearing has been scheduled in this matter for 8:30 a.m. on April 10, 2007 in the Commission's offices. AWC requests pursuant to KRS 278.190(2) that upon a finding of interim rates by the Commission, that the Commission immediately suspend the rates

for one day and that the interim rates be placed into effect during the suspension period subject to any refund of rates that the Commission may find unreasonable.

Prior to the operation of AWC being assumed by the Special Master Commissioner, the previous operator had allowed the utility to fall into disarray. Furthermore and as a partial result thereof, AWC's current tariffed rates are inadequate to maintain the operation of the utility.

Currently, the daily operations of AWC are being funded primarily through the proceeds of a \$10,000 bond forfeited by the prior operator. However, these funds will soon be expended. If AWC is not granted the expedited relief requested herein, then its "credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective during the [suspension] period."<sup>1</sup> If AWC is not allowed to collect and receive fair, just and reasonable rates for its service through this expedited interim relief then the company will be forced into a position where it will be unable to furnish adequate, efficient and reasonable service for its customers.<sup>2</sup>

WHEREFORE, AWC moves the Commission to order the emergency relief requested herein.

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<sup>1</sup> KRS 278.190(2).

<sup>2</sup> KRS 278.030.

Respectfully submitted this 30<sup>th</sup> day of March, 2007.



Squire N. Williams III  
Special Master Commissioner  
For Appalachian Waste Control  
P.O. Box 676  
415 West Main Street  
Frankfort, KY 40602  
(502) 227-2271

### CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served upon the Public Service Commission by serving a true copy thereof to the following on this the 30 day of March, 2007.

Beth O' Donnell  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40602-0615



Squire N. Williams III  
Special Master Commissioner  
For Appalachian Waste Control

RECEIVED

APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION

MAR 30 2007

PUBLIC SERVICE  
COMMISSION

For Small Utilities  
Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)

Case No. 2007-00093

**Appalachian Waste Control**

Name of Utility

**415 West Main Street**

**Frankfort, KY 40601**

Business Mailing Address

Telephone Number 502 / 227 - 2271  
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and TELEPHONE NUMBER of the person to whom correspondence or communications concerning this application should be directed:

Name: Squire N. Williams III, Special Commissioner

Address: 415 West Main Street, P.O. Box 676  
Frankfort, KY 40601

Telephone Number: 502 - 227 - 2271

- 1) Do you have 500 customers or fewer?  Yes  No
- 2) Do you have \$300,000 in Gross Annual Revenue or less?  Yes  No
- 3) Has the Utility filed an annual report with this Commission for the past year and the two previous years? (**Exhibit A**)  Yes  No
- 4) Are the utility's records kept separate from any other commonly-owned enterprise?  Yes  No

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

## II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, N/A.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Account Titles</u>	<u>Estimated Operations</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Operations</u>
Operating Revenues - Flat Rate	\$ 30,276	\$ 0	\$ 30,276
Operating Expenses:			
Operation & Maint. Exp:			
Electricity	\$ 7,200	\$ (1,025) (a)	\$ 6,175
Legal Fees/Amortization	8,400	(5,677) (b)	2,723
Labor Fees	14,400	0	14,400
Transportation Fees	12,000	(3,680) (c)	8,320
Administrative Fees	8,400	0	8,400
Sludge Disposal	14,400	0	14,400
Bad Debt	3,240	0	3,240
Receiver Expenses	10,800	(7,200) (d)	3,600
Total Operating Expenses	<u>\$ 78,840</u>	<u>\$ (17,582)</u>	<u>\$ 61,258</u>
Net Operating Income	<u>\$ (48,564)</u>	<u>\$ 17,582</u>	<u>\$ (30,982)</u>

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

**See Exhibit B for the explanations and the supporting calculations for the pro forma adjustments.**

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class: **See Exhibit B for the rate comparison.**

	Preston Estates	Paradise Valley	Berkshire	Neil Price	Richmond Hills
Proposed Rate	\$ 56.72	\$ 56.72	\$ 56.72	\$ 56.72	\$ 56.72
Current Rate	- 20.15	- 26.60	- 35.00	- 5.00	- 36.72
Dollar Increase	\$ 36.57	\$ 30.12	\$ 21.72	\$ 51.72	\$ 20.00
Percentage Increase	181.489%	113.233%	62.057%	1,034.400%	54.466%

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

**There is an Agreed Order between Prestonsburg City's Utilities Commission ("Prestonsburg"), the Environmental and Public Protection Cabinet, and Special Master Commission, wherein Appalachian Waste Control will be operated by Prestonsburg due to an urgent situation existing at the utility.**

2) Total number of Customers as of the date of filing: 90

3) Total amount of increased revenue requested: **(Exhibit C)** \$34,662

4) Please circle Yes or No:

a) Does the utility have any outstanding indebtedness? Yes  No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

b) Were all revenues and expenses listed in the Annual Report for 2006 incurred and collected from January 1 to December 31 of that year? **N/A** Yes  No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2006 and the amount shown on this schedule.

**N/A – Appalachian Waste Control is not requesting recovery of Depreciation expense.**

- 6) If utility is a sewer utility:

a) Attach a copy of the latest State and Federal Income Tax Returns. **N/A**

b) How much of the utility plant was recovered through the sale of lots or other contributions **N/A** \$ or %? (If unknown, state the reason).

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

**The rates being charged by Appalachian Waste Control do not adequately cover the costs that will be incurred by Prestonsburg for operating the treatment facilities. For this reason Appalachian Waste Control is requesting Interim Rates to fund the operational costs.**





Step3: Next 10,000 gallons rate level  
 1,830 Bills  
 16,268,700 gallons used  
 $1^{\text{st}} 2,000 \text{ minimum} \times 1,830 \text{ bills} = 3,660,000 \text{ gallons} -$   
 record in Column 4.  
 $\text{Next } 3,000 \text{ gallons} \times 1,830 \text{ bills} = 5,490,000 \text{ gallons} -$   
 record in Column 5.  
 $\text{Next } 10,000 \text{ gallons} - \text{remainder of water over } 3,000 =$   
 $7,118,700 \text{ gallons} - \text{record in Column 6.}$

Step4: Next 25,000 gallons rate level  
 650 Bills  
 15,275,000 gallons used  
 $1^{\text{st}} 2,000 \text{ minimum} \times 650 \text{ bills} = 1,300,000 \text{ gallons} - \text{record}$   
 in Column 4.  
 $\text{Next } 3,000 \text{ gallons} \times 650 \text{ bills} = 1,950,000 \text{ gallons} - \text{record}$   
 in Column 5.  
 $\text{Next } 10,000 \text{ gallons} \times 650 \text{ bills} = 6,500,000 \text{ gallons} -$   
 record in Column 6.  
 $\text{Next } 25,000 \text{ gallons} - \text{remainder of water over } 10,000 =$   
 $5,525,000 \text{ gallons} - \text{record in Column 7.}$

Step5: Over 40,000 gallons rate level  
 153 Bills  
 9,975,600 gallons used  
 $1^{\text{st}} 2,000 \text{ minimum} \times 153 \text{ bills} = 306,000 \text{ gallons} - \text{record in}$   
 Column 4.  
 $\text{Next } 3,000 \text{ gallons} \times 153 \text{ bills} = 459,000 \text{ gallons} - \text{record in}$   
 Column 5.  
 $\text{Next } 10,000 \text{ gallons} \times 153 \text{ bills} = 1,530,000 \text{ gallons} -$   
 record in Column 6.  
 $\text{Next } 25,000 \text{ gallons} \times 153 \text{ bills} = 3,825,000 \text{ gallons} -$   
 record in Column 7.  
 $\text{Over } 40,000 \text{ gallons} - \text{remainder of water over } 25,000 =$   
 $3,855,600 \text{ gallons} - \text{record in Column 8.}$

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

**SAMPLE**

Revenue from Present/Proposed Rates  
 Test Period from 01-01-XX to 12-31-XX

**USAGE TABLE**

Usage by Rate Increment

**Class:** Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
<b>Totals</b>	<b>4,800</b>	<b>46,895,700</b>	<b>9,254,400</b>	<b>9,287,000</b>	<b>15,148,700</b>	<b>9,350,000</b>	<b>3,855,600</b>	<b>46,895,700</b>

**REVENUE TABLE**

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
<b>Totals</b>	<b>4,800</b>	<b>46,895,700</b>		<b>\$ 92,094.10 Total Revenue</b>

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Post Office Box 615  
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch  
Office of the Attorney General  
Post Office Box 2000  
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



Officer of the Company

Title

**Special Master Commissioner**

Date

3-30-07

EXHIBIT A  
MOTION FOR DEVIATION

The previous owner of Appalachian Waste Control failed to file an Annual Report with this Commission for the past year and the two previous years. The Special Master Commissioner does not possess the financial records that are required to complete the Annual Reports. Therefore, Appalachian Waste Control requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from this filing requirement.

**EXHIBIT B  
EXPLANATIONS AND CALCULATION OF  
THE PRO FORMA ADJUSTMENTS**

**(a) Electricity:**

This adjustment reflects the actual cost of electricity incurred at the 5 treatment facilities.

	Preston Estates	Paradise Valley	Berkshire	Neil Price	Richmond Hills	Totals
Jan-06	\$ 63	\$ 63	\$ 32	\$ 27	\$ 215	\$ 400
Feb-06	\$ 74	\$ 59	\$ 12	\$ 38	\$ 206	389
Mar-06	\$ 70	\$ 63	\$ 62	\$ 35	\$ 143	373
Apr-06	\$ 73	\$ 86	\$ 75	\$ 51	\$ 211	496
May-06	\$ 76	\$ 90	\$ 74	\$ 60	\$ 217	517
Jun-06	\$ 90	\$ 85	\$ 89	\$ 48	\$ 188	500
Jul-06	\$ 84	\$ 85	\$ 75	\$ 49	\$ 182	475
Aug-06	\$ 74	\$ 82	\$ 81	\$ 47	\$ 212	496
Sep-06	\$ 78	\$ 82	\$ 73	\$ 51	\$ 249	533
Oct-06	\$ 77	\$ 79	\$ 91	\$ 51	\$ 254	552
Nov-06	\$ 75	\$ 88	\$ 83	\$ 37	\$ 219	502
Dec-06	\$ 50	\$ 85	\$ 89	\$ 50	\$ 268	542
Jan-07	\$ 13	\$ 89	\$ 95	\$ 49	\$ 154	400
Annual Electricity Expense						\$ 6,175
Less: Estimated Expense						- 7,200
Pro Forma Adjustment						<u>\$ (1,025)</u>

**(b) Legal Fees/Amortization**

This adjustment reflects amortizing the legal fees incurred by the city of Prestonsburg over 3 years.

February 1, 2007 Attorney Fee	\$ 2,413
March 1, 2007 Attorney Fee	+ 5,757
Total Legal Fees Incurred by Prestonsburg	<u>\$ 8,170</u>
Divided by: Amortization Period	÷ 3
Amortization - Legal Fees	<u>\$ 2,723</u>
Less: Estimated Amortization (1 Year)	x 8,400
Annual Amortization	<u>\$ (5,677)</u>

**(c) Transportation:**

This adjustment reflects Prestonsburg daily routine maintenance visits at the Federal Income Tax Rate.

Federal Mileage Rate	\$ 0.4456
Multiplied by: Mileage Round Trip	x 51.3
Daily Mileage Reimbursement	<u>\$ 22.86</u>
Multiplied by: Trips per Week	x 7
Weekly Mileage Reimbursement	<u>\$ 160</u>
Multiplied by: 52 Weeks	x 52
Annual Mileage Reimbursement	<u>\$ 8,320</u>
Less: Estimated Transportation Cost	- 12,000
Pro Forma Adjustment	<u>\$ (3,680)</u>

**(d) Receiver Expenses**

This adjustment reflects an owner/manager fee of \$3,600 for the master commissioner. This fee is used until the actual time spent by the master commissioner is known.

Owner/Manager Fee (Receiver)	\$ 3,600
Less: Annual Fee	- 10,800
Pro Forma Adjustment	<u>\$ (7,200)</u>

EXHIBIT B  
REVENUE REQUIREMENT  
& RATER DETERMINATIONS

Revenue Requirement	\$	61,258.00
Less: Current Revenues	-	30,276.00
Requested Increase	\$	<u>30,982.00</u>

Revenue Requirement	\$	61,258.00
Divided by: 12-Months	÷	12
Monthly Revenue Requirement	\$	<u>5,104.83</u>
Divided by: Projected Customer Level	÷	90
Monthly Rate per Customer	\$	<u>. 56.72</u>

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED  
MAR 30 2007  
PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE APPLICATION OF APPALACHIAN WASTE )  
CONTROL FOR AN ADJUSTMENT IN RATES )  
PURSUANT TO THE ALTERNATIVE RATE ) CASE NO. 2007-00093  
FILING PROCEDURE FOR SMALL UTILITIES )  
AND REQUEST FOR INTERIM RELIEF )  
)

AFFIDAVIT OF SPECIAL COMMISSIONER  
SQUIRE N. WILLIAMS III

Comes the Affiant, and having been duly sworn, states as follows:

1. That I have been appointed by the Franklin Circuit Court as Special Master Commissioner to act as temporary receiver for Appalachian Waste Control a/k/a East Kentucky Waste Control.
2. That in the capacity of Special Master Commissioner, I have filed an application for rate increase with the Public Service Commission for Appalachian Waste Control a/k/a East Kentucky Waste Control.
3. That notice of said application and of the hearing before the Public Service Commission upon said application has been mailed to each known customer of Appalachian Waste Control a/k/a East Kentucky Waste Control at their last known address.

Further, Affiant sayeth not.





# Appalachian Waste Control

C/O Squire N. Williams III, Special Commissioner, P.O. Box 676 ● Frankfort, KY 40602 502-227-2271

## Notice

This is to inform you that Appalachian Waste Control is requesting an increase in the sewer rates that will produce annual revenues of \$61,258, an increase of 102.3 percent or \$30,982 above existing revenues of \$30,276. A comparison of the existing and the proposed rates is in the table below.

	<u>Preston Estates</u>	<u>Paradise Valley</u>	<u>Berkshire</u>	<u>Neil Price</u>	<u>Richmond Hills</u>
Proposed Rate	\$ 56.72	\$ 56.72	\$ 56.72	\$ 56.72	\$ 56.72
Current Rate	- 20.15	- 26.60	- 35.00	- 5.00	- 36.72
Dollar Increase	<u>\$ 36.57</u>	<u>\$ 30.12</u>	<u>\$ 21.72</u>	<u>\$ 51.72</u>	<u>\$ 20.00</u>
Percentage Increase	<u>181.489%</u>	<u>113.233%</u>	<u>62.057%</u>	<u>1,034.400%</u>	<u>54.466%</u>

The rates contained in this notice are the rates proposed by Appalachian Waste Control. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant.

There is an interim hearing on the application scheduled for April 10, 2007 at 8:30 a.m. in the Public Service Commission's office at the address above.

Copies of the application may be obtained at no charge from Appalachian Waste Control C/O Squire N. Williams III, Master Commissioner, P.O. Box 676, Frankfort, Kentucky 40602. Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

Appalachian Waste Control